

CITY OF LEBO, KANSAS

**Financial Statements for the
Year Ended December 31, 2014
And Independent Auditors' Report**

CITY OF LEBO, KANSAS

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Michael D. Peroo CPA, PA

Exceeding Expectations

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Lebo, Kansas

We were engaged to audit the accompanying financial statements of the City of Lebo, Kansas (City), as of December 31, 2014 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Opinion

The City has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

Opinion

In our opinion, because of the effect of the matters discussed in the proceedings paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Lebo, Kansas, as of December 31, 2014, or the results of its operations for the year then ended.

Other Matter

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles general accepted in the United State of America, the *Kansas Municipal Audit and Accounting Guide*. Our opinion is modified with respect to this matter

Report on Supplementary Information

The supplemental schedules for the year ended December 31, 2014, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Michael D. Peroo, CPA, PA

February 13, 2015

Leavenworth, Kansas

Michael D. Peroo, CPA

Michael D. Peroo, CPA
In Charge of and Actively Engaged
on this Audit

CITY OF LEBO, KANSAS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS YEAR ENDED DECEMBER 31, 2014

	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
General Fund	\$ 240,888	\$ 465,306	\$ 475,747	\$ 230,447
Special Revenue Funds:				
Economic Development Fund	91,416	50,058	112,500	28,974
Law Enforcement Fund	4,434	5,333		9,767
Employee Benefit Fund	7,315	41,806	34,093	15,028
Special Highway Fund	6,106	23,874	28,272	1,708
Special Liability Fund	5,411	213	1,726	3,898
Special Park and Recreation Fund	18,775	39,493	41,785	16,483
Capital Project Funds				
Capital Improvement Reserve	150,521	27,000	-	177,521
Municipal Equipment Reserve	44,000	10,000		54,000
Enterprise Funds				
Gas Fund	271,982	283,354	249,517	305,819
Water Fund	194,871	228,377	260,446	162,802
Sewer Fund	176,621	84,827	79,184	182,264
Solid Waste	<u>19,376</u>	<u>61,693</u>	<u>71,495</u>	<u>9,574</u>
Total Reporting Entity	\$ <u>1,231,716</u>	1,321,334	1,354,765	\$ <u>1,198,285</u>
Less Transfers:		<u>44,836</u>	<u>44,836</u>	
Net Receipts and Disbursements		\$ <u>1,276,498</u>	\$ <u>1,309,929</u>	

COMPOSITION OF CASH:

Farmers State Bank Bank of Aliceville - Operating Account	\$ (209)
Farmers State Bank of Aliceville -Savings	1,152,939
Farmers State Bank of Aliceville - Debit Card	2,522
Farmers State Bank of Aliceville - Economic Development	28,974
Farmers State Bank of Aliceville - Utility Deposit Savings	14,039
Cash Drawer	<u>20</u>
	\$ <u>1,198,285</u>

CITY OF LEBO, KANSAS

SUMMARY OF CASH DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	<u>Cash</u> <u>Disbursements</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
General Fund	\$ 475,747	\$ 572,953	\$ 97,206
Special Revenue Funds:			
Law Enforcement Fund		9,740	9,740
Employee Benefit Fund	34,093	41,911	7,818
Special Highway Fund	28,272	28,500	228
Special Liability Fund	1,726	3,200	1,474
Special Parks and Recreation Fund	41,785	60,000	18,215
Enterprise Funds:			
Water Fund	260,446	300,000	39,554
Sewer Fund	79,184	80,007	823
Gas Fund	249,517	252,500	2,983
Solid Waste Fund	71,495	60,000	(11,495)
Total Budgeted Funds	<u>1,242,265</u>	\$ <u>1,408,811</u>	\$ <u>166,546</u>
Non Budgeted Funds:			
Economic Development	<u>112,500</u>		
Total Non Budgeted Funds	<u>112,500</u>		
Total Cash Disbursements	\$ <u>1,354,765</u>		

CITY OF LEBO, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDED DECEMBER 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Property Tax	\$ 105,763	\$ 108,415	\$ 110,133	\$ (1,718)
Sales Tax	86,001	91,168	75,000	16,168
Motor Vehicle Tax	15,072	17,567	16,232	1,335
Intergovernmental Receipts	155,710	155,710	155,710	
Franchise Tax	25,140	27,459	26,000	1,459
Licenses and Fees	5,324	5,365	4,000	1,365
Swimming Pool	11,383	10,798	14,000	(3,202)
Fines	863	952	3,500	(2,548)
Reimbursements and other	3,213	2,424	3,500	(1,076)
Transferred In	31,998	44,836	37,000	7,836
Interest on Idle Funds	1,272	612		612
Total Cash Receipts	441,738	465,306	\$ 445,075	\$ 20,231
CASH DISBURSEMENTS:				
General Administration:				
Personnel Services	34,188	33,232	35,000	1,768
Contractual Services	21,795	25,735	35,000	9,265
Commodities	20,977	25,835	18,500	(7,335)
Miscellaneous	7,027	10,779	3,000	(7,779)
Capital Outlay	5,027			
	89,014	95,581	91,500	(4,080)
Law Enforcement				
Personnel Services	52,821	50,921	51,000	79
Contractual Services	8,722	10,193	9,000	(1,193)
Commodities	17,796	16,874	20,000	3,126
Capital Outlay	8,394			
	87,733	77,988	80,000	2,012
Street Lights				
Contractual Services	14,330	16,049	15,000	(1,049)
	14,330	16,049	15,000	(1,049)
Parks and Recreation				
Personnel Services	2,596	2,778	5,000	2,222
Contractual Services	4,800	4,800	6,000	1,200
Commodities	18,148	9,902	20,000	10,098
Commodities- Other		11,324	700	(10,624)
Capital Outlay	-	-		-
	25,544	28,804	31,700	2,896
Infrastructure	65,089	181,988	284,053	102,064
	65,089	181,988	284,053	102,065
Swimming Pool				
Personnel Service	18,565	20,627	20,500	(127)
Contractual Service	530	1,488	1,000	(488)
Commodities	12,169	13,316	12,000	(1,316)
Commodities-concessions		2,339		(2,339)
Sales Tax	254	197	200	3
Capital Outlay	2,600	370		(370)
	34,119	38,337	33,700	(4,638)
Transfer Out	65,521	37,000	37,000	-
	65,521	37,000	37,000	-
Total Cash Disbursements	381,350	475,747	\$ 572,953	\$ 97,206
Receipts over (under) Disbursements	60,388	(10,441)		
CASH, BEGINNING BALANCE	180,500	240,888		
CASH, ENDING BALANCE	\$ 240,888	\$ 230,447		

CITY OF LEBO, KANSAS

ECONOMIC DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2014

	2013	2014
CASH RECEIPTS:		
Loan Payments	\$ 34,204	\$ 42,001
Interest Payments	6,390	7,957
Miscellaneous	<u> </u>	<u>100</u>
Total Cash Receipts	40,594	50,058
CASH DISBURSEMENTS:		
Transfer Out	6,998	7,836
Contracual		164
Economic Development Loan	<u>70,000</u>	<u>104,500</u>
Total Cash Disbursements	76,998	112,500
Receipts under Disbursements	(36,404)	(62,442)
CASH, BEGINNING BALANCE	<u>127,820</u>	<u>91,416</u>
CASH, ENDING BALANCE	\$ <u><u>91,416</u></u>	\$ <u><u>28,974</u></u>

CITY OF LEBO, KANSAS

LAW ENFORCEMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2014 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
County Tax	\$ <u>4,918</u>	\$ <u>5,333</u>	\$ <u>5,185</u>	\$ <u>148</u>
Total Cash Receipts	4,918	5,333	\$ <u><u>5,185</u></u>	\$ <u><u>148</u></u>
CASH DISBURSEMENTS:				
Capital Outlay	<u>17,567</u>	<u> </u>	<u>9,740</u>	<u>9,740</u>
Total Cash Disbursements	<u>17,567</u>	<u> </u>	\$ <u><u>9,740</u></u>	\$ <u><u>9,740</u></u>
Receipts over (under) Disbursements	(12,649)	5,333		
CASH, BEGINNING BALANCE	<u>17,083</u>	<u>4,434</u>		
CASH, ENDING BALANCE	\$ <u><u>4,434</u></u>	\$ <u><u>9,767</u></u>		

CITY OF LEBO, KANSAS

EMPLOYEE BENEFIT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2014 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Property and Vehicle Taxes	\$ <u>39,875</u>	\$ <u>41,806</u>	\$ <u>40,624</u>	\$ <u>1,182</u>
Total Cash Receipts	39,875	41,806	\$ <u><u>40,624</u></u>	\$ <u><u>1,182</u></u>
CASH DISBURSEMENTS:				
Employee Benefit	<u>40,972</u>	<u>34,093</u>	<u>41,911</u>	<u>7,818</u>
Total Cash Disbursements	<u>40,972</u>	<u>34,093</u>	\$ <u><u>41,911</u></u>	\$ <u><u>7,818</u></u>
Receipts over (under) Disbursements	(1,097)	7,713		
CASH, BEGINNING BALANCE	<u>8,412</u>	<u>7,315</u>		
CASH, ENDING BALANCE	\$ <u><u>7,315</u></u>	\$ <u><u>15,028</u></u>		

CITY OF LEBO, KANSAS

SPECIAL HIGHWAY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEAR ENDED DECEMBER 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
State Tax	\$ 23,458	\$ 23,874	\$ 24,280	\$ (406)
Total Cash Receipts	23,458	23,874	<u>\$ 24,280</u>	<u>\$ (406)</u>
CASH DISBURSEMENTS:				
Personnel Services	10,330	13,819	12,500	(1,319)
Contract Expense	-	-	1,000	1,000
Commodities	<u>14,781</u>	<u>14,453</u>	<u>15,000</u>	<u>547</u>
Total Cash Disbursements	<u>25,111</u>	<u>28,272</u>	<u>\$ 28,500</u>	<u>\$ 228</u>
Receipts under Disbursements	(1,653)	(4,398)		
CASH, BEGINNING BALANCE	<u>7,759</u>	<u>6,106</u>		
CASH, ENDING BALANCE	<u>\$ 6,106</u>	<u>\$ 1,708</u>		

CITY OF LEBO, KANSAS

SPECIAL LIABILITY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2014 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Property and Vehicle Taxes	\$ <u>505</u>	\$ <u>213</u>	\$ _____	\$ <u>213</u>
Total Cash Receipts	<u>505</u>	<u>213</u>	\$ <u><u>0</u></u>	\$ <u><u>213</u></u>
CASH DISBURSEMENTS:				
Contractual Services	<u>1,399</u>	<u>1,726</u>	<u>3,200</u>	<u>1,474</u>
Total Cash Disbursements	<u>1,399</u>	<u>1,726</u>	\$ <u><u>3,200</u></u>	\$ <u><u>1,474</u></u>
Receipts under Disbursements	(894)	(1,513)		
CASH, BEGINNING BALANCE	<u>6,305</u>	<u>5,411</u>		
CASH, ENDING BALANCE	\$ <u><u>5,411</u></u>	\$ <u><u>3,898</u></u>		

CITY OF LEBO, KANSAS

PARK AND RECREATION FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	2013 Actual	2014 Actual	2014 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Coffey County Receipt	\$ 37,868	\$ 37,868	\$ 37,868	\$ -
Miscellaneous	4,966	1,625		1,625
Total Cash Receipts	42,834	39,493	\$ 37,868	\$ 1,625
CASH DISBURSEMENTS:				
Personal Cost	4,838	5,376	11,000	5,624
Contractual Service	9,812	8,360	5,000	(3,360)
Commodities	21,294	16,193	16,000	(193)
Capital Outlay	-	11,856	28,000	16,144
Total Cash Disbursements	35,944	41,785	\$ 60,000	\$ 18,215
Receipts over (under) Disbursements	6,890	(2,292)		
CASH, BEGINNING BALANCE	11,885	18,775		
CASH, ENDING BALANCE	\$ 18,775	\$ 16,483		

CITY OF LEBO, KANSAS

CAPITAL IMPROVEMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2014

	2013	2014
CASH RECEIPTS:		
Transferred from General	\$ 53,021	\$ 27,000
Total Cash Receipts	<u>53,021</u>	<u>27,000</u>
CASH DISBURSEMENTS:		
	<u>-</u>	<u>-</u>
Total Cash Disbursements	-	-
Receipts over Disbursements	<u>53,021</u>	<u>27,000</u>
CASH, BEGINNING BALANCE	97,500	150,521
CASH, ENDING BALANCE	\$ <u><u>150,521</u></u>	\$ <u><u>177,521</u></u>

CITY OF LEBO, KANSAS

MUNICIPAL EQUIPMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

YEAR ENDED DECEMBER 31, 2014

	2013	2014
CASH RECEIPTS:		
Transferred from General	\$ 12,500	\$ 10,000
Total Cash Receipts	12,500	10,000
CASH DISBURSEMENTS:		
	36,000	
Total Cash Disbursements	36,000	
Receipts over (under) Disbursements	(23,500)	10,000
CASH, BEGINNING BALANCE	67,500	44,000
CASH, ENDING BALANCE	\$ 44,000	\$ 54,000

CITY OF LEBO, KANSAS

GAS FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2014 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ 226,393	\$ 278,854	\$ 255,000	\$ 23,854
Sales Tax	3,450	4,492	4,000	492
Interest Income	9	4	200	(196)
Reimbursed Expenses and Other Income	<u>6</u>	<u>4</u>	<u>1,000</u>	<u>(996)</u>
Total Cash Receipts	229,858	283,354	\$ <u>260,200</u>	\$ <u>23,154</u>
CASH DISBURSEMENTS:				
Personnel Services	57,081	58,516	55,000	(3,516)
Contractual Services	113,761	154,523	167,400	12,877
Commodities	13,893	16,985	10,000	(6,985)
Stored Gas Property Tax	36	2	100	98
Sales Tax and Other	3,235	4,491	5,000	509
Transfer	10,000	15,000	15,000	-
Capital Outlay	<u>542</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Disbursements	<u>198,548</u>	<u>249,517</u>	\$ <u>252,500</u>	\$ <u>2,983</u>
Receipts over Disbursements	31,310	33,837		
CASH, BEGINNING BALANCE	<u>240,672</u>	<u>271,982</u>		
CASH, ENDING BALANCE	\$ <u>271,982</u>	\$ <u>305,819</u>		

CITY OF LEBO, KANSAS

WATER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2014 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Water Sales - Customer	\$ 225,909	\$ 225,772	\$ 221,000	\$ 4,772
Sales tax	753	815	1,000	(185)
Reimbursed Expenses and Other Income	2,460	1,787	3,000	(1,213)
Interest on Idle Funds	<u>5</u>	<u>3</u>		<u>3</u>
Total Cash Receipts	229,127	228,377	<u>\$ 225,000</u>	<u>\$ 3,377</u>
CASH DISBURSEMENTS:				
Personnel	49,225	56,899	46,500	(10,399)
Contractual Services	117,978	121,201	114,920	(6,281)
Commodities	13,313	22,583	10,000	(12,583)
Debt Service		-		-
Other	2,037	2,893	4,000	1,107
Capital Outlay	<u>542</u>	<u>56,870</u>	<u>124,580</u>	<u>67,710</u>
Total Cash Disbursements	<u>183,095</u>	<u>260,446</u>	<u>\$ 300,000</u>	<u>\$ 39,554</u>
Receipts over (under) Disbursements	46,032	(32,069)		
CASH, BEGINNING BALANCE	<u>148,839</u>	<u>194,871</u>		
CASH, ENDING BALANCE	<u>\$ 194,871</u>	<u>\$ 162,802</u>		

CITY OF LEBO, KANSAS

SEWER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2014 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ 84,346	\$ 83,871	\$ 88,000	\$ (4,129)
Special Assessments	<u>955</u>	<u>956</u>	<u>956</u>	<u>(0)</u>
Total Cash Receipts	85,301	84,827	<u>\$ 88,956</u>	<u>\$ (4,129)</u>
CASH DISBURSEMENTS:				
Personnel Services	22,265	19,521	23,000	3,479
Contractual Services	4,046	4,308	1,760	(2,548)
Commodities	13,148	13,958	13,850	(108)
Debt Service	31,397	31,397	31,397	-
Transfer to General	<u>15,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Cash Disbursements	<u>85,856</u>	<u>79,184</u>	<u>\$ 80,007</u>	<u>\$ 823</u>
Receipts over (under) Disbursements	(555)	5,643		
CASH, BEGINNING BALANCE	<u>177,176</u>	<u>176,621</u>		
CASH, ENDING BALANCE	<u>\$ 176,621</u>	<u>\$ 182,264</u>		

CITY OF LEBO, KANSAS

SOLID WASTE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2014

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2014 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ <u>59,858</u>	\$ <u>61,693</u>	\$ <u>62,000</u>	\$ <u>(307)</u>
Total Cash Receipts	59,858	61,693	\$ <u><u>62,000</u></u>	\$ <u><u>(307)</u></u>
CASH DISBURSEMENTS:				
Contractual Services	58,722	59,495	48,000	(11,495)
Transfers Out	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u> </u>
Total Cash Disbursements	<u>58,722</u>	<u>71,495</u>	\$ <u><u>60,000</u></u>	\$ <u><u>(11,495)</u></u>
Receipts over (under) Disbursements	1,136	(9,802)		
CASH, BEGINNING BALANCE	<u>18,240</u>	<u>19,376</u>		
CASH, ENDING BALANCE	\$ <u><u>19,376</u></u>	\$ <u><u>9,574</u></u>		

CITY OF LEBO, KANSAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Lebo, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2014.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. Basis of Accounting - These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has approved a resolution to prepare the financial statements on a cash basis.

- c. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets, such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance, are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end did not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not

presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

- d. Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the Budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of Hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2014.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

- e. Comparative Amounts - The amounts shown for the year ended December 31, 2013 in the accompanying financial statements are included to provide a basis for comparison with 2014 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

2. DEPOSITS

At December 31, 2014 the carrying amounts of the City's deposits were \$1,198,285 and the bank balances were \$1,300,478. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

3. TAXES

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2014, the City received the following from county and state taxes:

	General Fund	Law Enforcement	City Special Liability	Special Highway Fund	Employee Benefit Fund	Totals
Property Taxes	\$ 108,415	\$ 4,523	\$ 22	\$	\$ 35,974	\$ 148,934
Motor Vehicle Taxes	17,567	810	191		5,832	24,400
Sales Taxes	91,168					91,168
State Highway Aid				23,874		23,874
	<u>\$ 217,150</u>	<u>\$ 5,333</u>	<u>\$ 213</u>	<u>\$ 23,874</u>	<u>\$ 41,806</u>	<u>\$ 288,376</u>

The mill levies are as follows:

	2014	2013
General Fund	<u>31.455</u>	<u>31.455</u>

The assessed valuation for 2014 was \$4,639,314 and \$4,638,780 in 2013.

4. UTILITIES

The City provides water, sewer, gas and trash services. The City mails their utility bills between the 23rd and the 25th of each month. The utility bills are due by the 1st of the following month. Bills not paid by the 10th are subject to a late charge fee of 10%. If service is disconnected the customer shall pay said bill and penalty and further service charge in the sum of \$50 before turning the water back on.

The water rates for 2014 are as follows:

0-1,000 gallons	\$ 14.00
All above 1,000 gallons	\$ 9.75 per 1,000 gallons
Minimum bill	\$ 14.00

Outside City:

0-1,000 gallons	\$ 24.50
All above 1,000 gallons	\$ 10.50 per 1,000 gallons
Minimum bill	\$ 22.50

Wholesale

0 - 10,000	\$ 9.75 per 1,000 gallons
11,000 - 100,000	\$ 7.25 per 1,000 gallons
101,000 - 250,000	\$ 6.25 per 1,000 gallons
all above 250,000	\$ 5.25 per 1,000 gallons

Any person making application for water service is required to make a deposit of \$75.

The sewer rates for 2014 are as follows:

\$15 for the first 1,000 gallons and \$.70 for each additional 1,000 gallons.

The trash rates for 2014 are as follows:

\$13.00 per month for residential solid waste removal.

The gas rates for 2014 are as follows:

\$5.34 per 1,000 cubic feet over the cost of gas per 1,000 MMBTU and the transportation charges per month.

Any person making application for gas service is required to make a deposit of \$200.

5. LONG-TERM DEBT

The City's long-term debt is comprised of two loans from Kansas Department of Health.

Kansas Water Pollution Control Revolving Fund

In July 2005, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the construction of a sewer main extension. The total cost of the project was \$467,079.

The amount of the loan is up to \$467,079 (\$280,143 and \$302,455 outstanding at December 31, 2014 and 2013, respectively) bearing interest at a rate of 2.81%, principal and interest payments made on a semi-annual basis beginning one year after the completion of the project.

Changes in Kansas Water Pollution Control Revolving Fund:

Beginning Balance	\$ 302,455
Payments	<u>22,312</u>
Ending Balance	\$ <u>280,143</u>
Interest Payments	\$ <u>9,086</u>
Total Payments	\$ <u>31,398</u>

Payments subsequent to 2014:

	Principal	Interest	Total
2015	\$ 23,000	\$ 8,398	\$ 31,398
2016	23,709	7,689	31,398
2017	24,440	6,958	31,398
2018	25,193	6,205	31,398
2019	25,970	5,428	31,398
2020	26,771	4,627	31,398
2021	27,596	3,802	31,398
2022	28,447	2,951	31,398
2023	29,324	2,074	31,398
2024	30,229	1,169	31,398
2025	<u>15,464</u>	<u>236</u>	<u>15,700</u>
	\$ <u>280,143</u>	\$ <u>49,533</u>	\$ <u>329,677</u>

Kansas Water Supply Revolving Fund

In December 2012, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the replacement of approximately 7,000 feet of aging asbestos cement waterlines with PVC waterlines and installs an altitude valve on the elevated storage tank. The total cost of the project was estimated at \$406,496.

The amount of the loan is up to \$409,864 (\$409,864 outstanding at December 31, 2014) bearing interest at a rate of 2.16%, principal and interest payments made on a semi-annual basis beginning February 1, 2015.

Payments subsequent to 2014:

	Principal	Interest	Total
2015	\$ 16,583	\$ 8,763	\$ 25,346
2016	16,942	8,404	25,346
2017	17,310	8,036	25,346
2018	17,686	7,660	25,346
2019	18,070	7,276	25,346
2020	18,463	6,883	25,346
2021	18,864	6,482	25,346
2022	19,273	6,073	25,346
2023	19,692	5,654	25,346
2024	20,119	5,227	25,346
2025	20,556	4,790	25,346
2026	21,003	4,343	25,346
2027	21,459	3,887	25,346
2028	21,925	3,421	25,346
2029	22,401	2,945	25,346
2030	22,888	2,458	25,346
2031	23,385	1,961	25,346
2032	23,892	1,454	25,346
2033	24,411	935	25,346
2034	24,944	402	25,346
	<u>\$ 409,864</u>	<u>\$ 97,053</u>	<u>\$ 506,918</u>

6. CONTRACTS

In 1994, the City entered into a 40-year agreement with Public Wholesale District No. 12, (District) to buy a minimum amount of 3,000,000 gallons per month. The City is to pay the District \$ 3.42 per 1,000 gallons purchased. Starting January 2006, the rate per 1,000 increased to \$3.45. In December 2007 there was another amendment to the contract when the City of Lebo annexed customers of Coffey County RWD #3 that were within the District's territory. In 2014 and 2013, respectively, the City purchased 22,703,000 and 23,163,000 gallons from the Public Wholesale District. The District increased the water rate from \$3.75 to \$4.00 in 2013.

In March 2009 the City entered in a three-year contract with Steve's Trash to collect and dispose of solid waste inside the corporate City limits for \$11.75 per customer. In March 2012, the contract was amended

to increase the rate to \$12.25. In March 2013, the contract was amended and shall remain in force until March 31, 2015. The rate was increased to \$12.50.

The City has contracted with Maguire Iron Co, Inc. to provide maintenance on the 100,000 gallon water towers and 50,000 gallon water towers for nine years. The City's contract began in 2013 and will be payable every other year in the amount of \$1,550 and \$1,350, respectively.

In January 2012, the City entered into a ten-year contract with the Kansas Department of Wildlife. In the contract, the City agrees to allow public fishing access on certain tracts of water and the Department of Wildlife will pay the City \$4,075, annually.

In January 2014, the City entered into a contract with USDI to inspect and maintain the gas system annually. The City will pay \$4,800 annually.

In February 2014, the City entered in to a contract with USDI to complete paperwork and reports related to the gas system. The City will pay \$4,920 annually.

In September 2014, the City (lessor) entered into a lease agreement with Reed Company, LLC (lessee) to lease 4.9 acre tract of land for \$100 annually. The term of the lease is five years. At the end of the lease, the lessee will have the option to purchase the property for \$13,200.

In October 2013, the City (lessor) entered into a lease agreement with Amber Miller-Barrett and Cody Barrett (lessee) to lease a commercial building for \$100 annually for five years with an option to purchase at the end of the lease term.

7. COMPENSATED ABSENCES FOR EMPLOYEES

Full time employees of the City will be eligible for vacation and sick leave after six months of service. Eligible employees shall take at least 6 vacation days each year. An employee may carry-over vacation days to the next year, with a maximum carry-over amount allowance of 30 days.

<u>Years of Service</u>	<u>Per year</u>
0-9 years	1 day per month
10-19 years	1 ½ day per month
After 19	2 days per month

Full time employees will receive a maximum of 2 weeks (10 working days) paid sick leave per year. Sick leave is cumulative up to a maximum of 480 hours. On termination an employee will receive one sixth (1/6) a maximum of 80 hours accrued sick leave paid. At December 31, 2014 City employees had a combined balance of 1,320 hours of sick leave, a cash value of \$24,211 and a balance of 684 hours of vacation leave, a cash value of \$12,398.

8. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, sewer, gas and trash to customers located in Coffey County in Kansas. The City grants credit to those customers and requires no collateral.

9. CAPITAL PROJECTS

The City spent the following on capital items in 2014:

Swimming Pool Chair	\$ 370
Prowler	11,856
Water Project	56,871
Street Repair and Upgrades	70,331
Water and Sewer Maintenance from Infrastructure	20,528
Water Project from Infrastructure	88,529
	<u>\$ 248,485</u>

10. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December 31, 2014 for the funds that were part of this audit, except for the Trash fund which the actual expenditures exceeded the budget authority.

11. RELATED PARTY

The city was not aware of any related party transactions during the year of 2014.

12. PENSION PLAN

The City has five employees that participate in the Kansas Public Employees Retirement System (System), a multiple employer public employee retirement system. The payroll for the employees covered by the System for 2014 and 2013 was \$156,442 and \$149,735, respectively and the City's total payroll for 2014 and 2013 was \$246,553 and \$237,023.

Covered employees are required by state statute to contribute 4% or 5% of their salary to the System. The City is required by statute to contribute 8.84% and 7.94% for 2014 and 2013 using the full funding method. The contribution requirement for the year ended December 31, 2014 and 2013 was \$23,341 and \$20,030, which consisted of \$8,181 and \$6,644 from the employee, and \$13,830 and \$11,889 from the City. The City also contributed \$1,330 for insurance.

13. INFRASTRUCTURE

The City has elected not to comply with Governmental Accounting Standard No. 34 (GASB 34) regarding the capitalization and tracking of infrastructure or capital assets.

14. RISK MANAGEMENT

The City is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets, job-related injuries and illnesses to employees. To insure against the various risks, the City has obtained various insurance coverage through EMC Insurance Companies. See Schedule of Insurance for details.

15. ADEQUACY OF UTILITY RATES

To determine whether the city was charging adequate rates for sewer, trash, water, and gas we calculated the operating ratio and debt service ratio as applicable. The target minimum for both of these ratios is 1.20 and 1.25 respectively. All minimums are met except for the Trash Fund. Since this fund uses an outside contractor as long as the ratio is greater than one it is sufficient.

The Operating Ratio for the following funds is as follows:

	Water	Gas	Sewer	Trash
Operating Revenues	\$ 225,772	\$ 278,854	\$ 83,871	\$ 61,693
Operating Expenses	<u>\$ 203,576</u>	<u>\$ 234,517</u>	<u>\$ 37,787</u>	<u>\$ 59,495</u>
Operating Ratio	<u>1.11</u>	<u>1.19</u>	<u>2.22</u>	<u>1.04</u>

The Debt Service Ratio for the Sewer Fund is as follows:

Debt Service	Sewer Fund
Net Receipts	\$ 5,643
Add Back:	
Debt Service	31,397
Transfer Out	<u>10,000</u>
Available for debt service	47,040
Debt service	<u>\$ 31,397</u>
Debt Service Ratio	<u>1.46</u>

16. COMMITMENTS AND CONTINGENCIES

The City is not involved in any litigation.

17. SUBSEQUENT EVENTS

In preparing the financial statements, and according to ASC 855, Subsequent Events, the District has evaluated events and transactions for potential recognition or disclosure through March 30, 2015, the

date the financial statements were available to be issued. There are no additional events or transactions that require adjustment to or disclosure in these financial statements.

* * * * *

CITY OF LEBO, KANSAS

SCHEDULE OF SELECTED UTILITY STATISTICS YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
WATER STATISTICS:		
Number of customers	435	447
Gallons sold	20,337,100	22,487,000
Gallons purchased	23,406,000	23,258,000
Water loss percentage	13.11%	3.31%
Average monthly usage per customer	3,896	4,192
Charges for service	\$ 225,772	\$ 225,909
Average customer charge per month	\$ 43.25	\$ 42.12

CITY OF LEBO, KANSAS

SCHEDULE OF OTHER STATISTICS YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Population	940	940
Assessed Valuation	\$ 4,639,314	\$ 4,638,780
Mill Levy	31	31
Total Receipts	\$ 1,276,498	\$ 1,166,068
Total Disbursements	\$ 1,309,929	\$ 1,044,043
Bond Indebtedness	\$ 690,007	\$ 302,455
Receipts per Capita	\$ 1,358	\$ 1,240
Disbursements per Capita	\$ 1,394	\$ 1,111
Bond Indebtedness per Capita	\$ 734	\$ 322

CITY OF LEBO, KANSAS

SUMMARY INSURANCE IN FORCE YEAR ENDED DECEMBER 31, 2014

Policy Type	Expiration Date	Company	Annual Premium	Amount of Coverage	Description
General Liability	4/1/2015	Employers Mutual Casualty Company (EMCC)	\$4,477	2,000,000	Aggregate limit 100,000 Property damage limit 1,000,000 Personal injury limit 1,000,000 Advertising injury limit 5,000 Medical expense
Commercial Property	4/1/2015	EMCC	\$11,283	1,115,698	Building and personal property
Linebacker Coverage	4/1/2015	EMCC	\$1,726	1,000,000 2,000,000	Each loss Aggregate
Inland Marine	4/1/2015	EMMC	\$2,705	205,549	Equipment
Workers' Compensation	4/1/2015	EMCC	\$7,898	500,000 500,000 500,000	Bodily injury by accident Bodily injury by each employee Bodily injury by policy limit
Business Auto	4/1/2015	EMCC	\$3,674	1,000,000 1,000,000	Liability Uninsured motorists
Data Compromise	4/1/2015	EMCC	\$420	25,000	Aggregate
Law Enforcement	4/1/2015	EMCC	\$935	1,000,000 2,000,000 5,000 1,000	Each loss Aggregate Medical Expense Deductible
Umbrella	4/1/2015	EMCC	\$6,710	8,000,000 8,000,000 8,000,000	Liability each loss Personal & Advertising Injury Aggregate